

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 822 - HB 1083**

March 27, 2021

**SUMMARY OF BILL:** Enacts the “Support Micro-Businesses Act” (Act). Defines micro-business as a business in the state of Tennessee, independently owned and operated, that employs five or fewer individuals. Authorizes the Department of Economic and Community Development (ECD) to create a revolving loan fund program for offering lines of credit to micro businesses through various financial lending organizations. To be an eligible financial institution to receive funds for offering these lines of credit, the financial institution must have established sufficient expertise to analyze micro-business applications, evaluate the creditworthiness of micro-businesses, and regularly monitor program loans.

Requires these institutions to review every program loan application in order to determine the feasibility of the proposed use of the requested financing by the micro-business applicant, the likelihood of repayment, and the potential that the loan will generate economic development and jobs in this state. Requires ECD to identify eligible lending organizations through competitive statewide or local solicitations. Requires ECD to direct these loans to minority-owned, women-owned, and other micro-businesses that have difficulty accessing traditional credit markets. Requires the financial institutions to not loan out more than 25 percent of the total amount awarded to the financial institution to one applicant. Requires financial institutions to waive application fees for loans less than \$5,000.

Requires ECD to conduct a study on the factors related to increasing the number of microfinance lenders in this state. Requires ECD to publish the study on a publicly available website, and to provide a copy of the report to the chief clerks of the Senate and of the House of Representatives for the purpose of distribution to the Speakers of the Senate and House of Representatives and the appropriate subject matter chairs and to the legislative librarian before July 1, 2022.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures - \$132,500/FY21-22**

**\$82,500/FY22-23 and Subsequent Years**

**Other Fiscal Impact – Additional increases in state expenditures will be incurred to fund awards to financial institutions to be used for micro-business loans. The amount of such funding to be appropriated is unknown. Secondary economic impacts will occur as a result of this Act.**

Assumptions:

- The proposed legislation requires ECD to establish this Act subject to appropriations.
- The amount of funds appropriated to ECD for the implementation of this act, if any, is unknown and is deemed to be undeterminable at this time.
- Based on similar legislation in other states, it is estimated that the cost of the study would be \$50,000 in FY21-22 and that one ECD Project Manager would need to be hired for administering the program.
- Beginning in FY21-22 a recurring increase in state expenditures of \$82,543 (\$65,000 salary + \$17,543 benefits).
- The total increase in state expenditures in FY21-22 is \$132,543 (\$50,000 + \$82,543).
- There could be subsequent impacts on state and local government revenue and expenditures as a result of secondary economic impacts prompted by the passage of this legislation. Due to multiple unknown factors, the fiscal impacts attributable to such secondary economic impacts cannot be quantified with reasonable certainty.

**IMPACT TO COMMERCE:**

**Other Commerce Impact – Due to multiple unknown factors, any impact on commerce and jobs in this state cannot be quantified with reasonable certainty; but is generally considered to be positive.**

Assumptions:

- Authorizing ECD to award unspecified amounts of state funds to financial institutions to be used for micro-business loans will result in a significant impact to commerce and jobs in Tennessee.
- However, due to multiple unknown factors associated with the precise amount of any such appropriations and specifics regarding micro-business loans, the precise impact cannot be quantified with reasonable certainty, but is considered to be positive.
- Furthermore, it is unknown whether or not ECD would outsource the \$50,000 study to a government or non-government entity.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

/aw